



BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** December 1, 2010

FROM: J. Owen Cole, Jr.
Central Liquidity
Facility, President **SUBJ:** Central Liquidity
Facility Change in
Overhead Reimbursement
Methodology

ACTION REQUESTED: CLF requests the NCUA Board approve an alternative methodology for reimbursing the Operating Fund for its overhead expenses.

DATE ACTION REQUESTED: December 16, 2010.

BUDGET IMPACT, IF ANY: The revised methodology will result in a decrease of approximately \$16,000 over the current annual expected reimbursement.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

OTHER OFFICES CONSULTED: Office of the Chief Financial Officer, Office of General Counsel.

RESPONSIBLE STAFF PERSON: Central Liquidity Facility President J. Owen Cole; and Central Liquidity Facility Chief Financial Officer Vicki O'Hara.

SUMMARY: Section 307(a)(3) of the FCU Act empowers the Board to determine the amount of expenses incurred by NCUA which will be assessed to the CLF. CLF reimburses the Operating Fund quarterly for direct expenses which are salaries and benefits of CLF staff and CLF's portion of space rental; and reimburses annually for indirect expenses (Board and Central Office staff, supplies, postage, printing, telephone). Expenses are allocated by applying the ratio of CLF full-time equivalent (FTE) employees to the NCUA total. Congress has set a maximum for CLF's budget at \$1,250,000.

At its April 2009 meeting, the Board approved increases to both CLF and the Office of Capital Markets and Planning (now the Office of Capital Markets) staffing. The amount of FTEs allocated to CLF increased from 1.5 to 3.5 as shown below. In July 2010, the Board increased the primary loan officer's percentage allocation from 75 percent to 80 percent. To maintain the total FTEs allocated to CLF at 3.5, the technician position percentage allocation is reduced to 45 percent.

TOTAL FTEs		Pres	VP	CFO	Loan Officer	Loan Officer	Loan Officer	Loan Officer	Loan Officer	Tech
3.5		0.05	0.20	1.00	0.80	0.25	0.25	0.25	0.25	0.45
1.5		0.05	0.20	1.00	0.25					

We propose an alternative method that allocates indirect expense reimbursement for the salaries of the NCUA Board, other specified Central Office staff, and administrative expenses (supplies, printing, postage and telephone) using a factor based on the ratio of actual CLF FTEs to total agency FTEs. The current methodology uses two different ratios based on FTEs to allocate agency overhead expenses to CLF. The proposed methodology would use only one factor in order to simplify the allocation process. CLF currently reimburses the Operating Fund for a proportional share of salaries of each office in the Central Office.

We reassessed the marginal contribution each office made to the CLF and determined the offices that have a direct and supportive relationship to CLF's activities. Therefore, we propose reimbursement for seven of the fourteen Central Offices. Those offices are: the Board, OED, OCFO, OCIO, OGC, PACA and OHR.

The allocation of supplies, telephone, postage and other supportive expenses will be allocated based on actual CLF FTEs. Adjustments may be required to remove certain office specific expenses that do not provide a direct or indirect benefit to CLF.

We proposed this change be made retroactive to January 1, 2010.

CLF will continue to reimburse the Operating Fund for a proportional share of the *actual* salaries and benefits of assigned CLF staff (up to the 3.5 FTEs as specified in the above chart) and the proportional space rental for the offices of the President, Vice President, Chief Financial Officer, and the primary Loan Officer plus file room space.

RECOMMENDED ACTION: Staff recommends that the Board approve retroactively to January 1, 2010, the allocation of CLF expenses for reimbursement to the Operating Fund as follows.

CLF will reimburse the Operating Fund:

1. Quarterly for the proportional share of actual salaries and benefits of staff assigned to CLF;
2. Quarterly for the proportional share of the office space for the CLF President, Vice President, Chief Financial Officer, and primary Loan Officer; and
3. Annually for other indirect expenses based on the methodology outlined in this Board Action Memorandum.